

MEMORANDUM FOR: Chief, Management Staff

SUBJECT: Mechanization of Insurance Payment Accounting in the  
Insurance and Claims Branch, Office of Personnel

1. A study has been made of the present manual methods used in the Insurance and Claims Branch, Office of Personnel, to record and control insurance premium payments to determine if a machine method can be advantageously applied.

2. Because of time limitations, the procedures and methods for posting and controlling cash payments, mail payments and payments made by payroll deductions could only be sufficiently reviewed to arrive at a fair estimate of the savings and advantages which could be expected from a machine application. Also, since Group Hospitalization Incorporated has established a punched-card procedure for its record keeping requirements, the examination was confined to the following plans:

- a. Mutual Benefit Health and Accident Association
- b. United Benefit Life Insurance Company (UBLIC)
- c. War Agencies Employees Protection Association (WAEPA)
- d. Income Replacement
- e. Dread Disease
- f. Air Flight

3. The findings of the study clearly indicate that a posting machine such as a National Cash Register Posting and Distribution Machine, is needed and can be fully justified. Some of the benefits and advantages which can be realized through its use are:

- a. Elimination of duplication of record posting

The posting machine method permits the posting of all necessary records in a single operation.

Under present manual methods, cash payments numbering ☐ a month are recorded three separate times as follows:

- (1) Daily Register - posted by cashier

- (2) Policy Holders Record Card - posted by cashier
- (3) Policy Holders Posting Card - posed by posting clerks

It is conservatively estimated that the full time of two posting clerks can be saved through the use of a posting machine. The salary thus saved would be approximately \$6800.00 a year.

b. Establishment of controls

The use of a posting machine assures that the amount of payment posted to all records is the same thereby eliminating errors which can occur each time a record is manually posted.

Under the present procedure there are no controls established over the manual posting operations. Errors may occur when

- (1) The cashier posts the amount paid to the Daily Register Sheet, and to the Record Card and when
- (2) The posting clerk posts the amount paid as shown on the Register Sheet to the policy holder's Posting Card.

Errors made in posting the Register Sheet are recognized when the cash is balanced at the end of the day, but they are not easily or necessarily identified.

There is no control tape run on the amounts posted to the Posting Cards to determine that the amounts posted to all posting cards equal the total amount collected as shown on the Daily Register Sheet. These errors are not recognized until the next payment is made by the policy holder.

When all records are posted in a single operation by a posting machine, the policy holder can verify the accuracy of recording his payment by checking the amount posted on his record card and be assured that the amount is accurately reflected in the Agency's records.

c. Legible and uniform postings

Machine posted records are legible and uniformly posted providing neat, business-like records.

The legibility of and neatness of present records varies with the handwriting of the cashiers and posting clerks.

d. Expeditious daily balancing of cash

The posting machine automatically provides a journal of each amount posted for each type of insurance by each cashier. At the end of the day a Daily Statement of Business is quickly and automatically posted showing

- (1) Total amount collected for each type of insurance.
- (2) Grand total collected for all types of insurance.
- (3) Number of transactions for each type of insurance.
- (4) Total number of transactions for all types of insurance.
- (5) Total amount collected by each cashier.
- (6) Total number of transactions handled by each cashier.

Under the present procedure the cashiers must run an adding machine tape total of the amounts collected before their cash can be balanced. This adding machine operation is eliminated.

4. Other advantages are described in the attached proposal prepared by the representative of the National Cash Register Company.

5. The cost of the machine proposed to meet our requirements is as follows:

National Posting Machine	-	\$4,269.80
Cash drawers (2) with floor cabinet	-	<u>222.33</u>
		\$4,492.13

The estimated annual savings will amount to \$6800. These savings will pay for the cost of the machine in less than a year. Thereafter, a repetitive annual saving of \$6800 will be realized.



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